

CROMPTON & KNOWLES CORPORATION

WORCESTER, MASSACHUSETTS, U.S.A.



Annual Report 1957

To Our Stockholders:

Earnings and Sales

Our net earnings for the year, after provision of \$835,747 for Federal Income and State Taxes, were \$338,761, equivalent to 76 cents a share on outstanding capital stock, excluding treasury shares. For 1956 net earnings were \$1,282,155 or \$2.85 a share. Forty-four cents a share was earned in the first six months of 1957, and thirty-two cents a share in the remainder of the year.

Sales in 1957 declined 17% from 1956, reflecting lower deliveries in the Textile Machinery Division and reduced output of machinery, other than textile, produced at the Worcester plant. Sales of those divisions and subsidiaries not engaged in textile machinery manufacture were moderately higher than in the previous year.

Textile Machinery

Billings of textile equipment and parts again accounted for 63% of the year's consolidated sales. The number of looms delivered in 1957 was the lowest in many years, amounting to only 57% of the 1956 shipments. Although the paper and related industries continued to buy from us relatively expensive special purpose looms in quantities above usual levels, those sections of the textile industry that normally purchase our product in volume experienced a continuation of the depressed cycle of business, which has now been prolonged far beyond the usual historical pattern.

Contract machinery work at the Worcester plant amounted to 10% of consolidated sales.

Dyestuffs and Chemicals

The Althouse Chemical Company Division continued to do well in the face of far from satisfactory conditions in the industry as a whole, and contributed importantly to the consolidated results of your Company.

Packaging Machinery

An important step forward into the packaging machinery industry was taken during the year by the acquisition of the Russell line of can handling and case packing machinery. As Worcester facilities become increasingly scheduled for the manufacture of this equipment, production at Plant City, Florida, will be diminished.

The addition of the Russell business led to the establishment of Crompton & Knowles Packaging Corporation, a new subsidiary through which the packaging machinery segment of the Company's business will be administered and developed. Wrap-King Corporation was dissolved. Its operations continue as a division of the Packaging Corporation. There was moderate growth in volume and profits for 1957. Still in its development stages is the production of clear plastic lids and containers serving the food industries, as well as machinery for the manufacture of such products.

Reinforced Plastics

The Carl N. Beetle Plastics Corporation showed further progress in 1957. This subsidiary is competing successfully in several areas within the field of fiberglass reinforced products. Earnings for 1957 ad-

vanced over 1956. Further expansion in earning power is dependent upon new, enlarged manufacturing facilities, which will be available toward the latter part of this year.

Our Reinforced Laminates Division which began operations in Worcester late in 1954 was never completely successful. The division was closed at June 30, 1957.

New Products

All companies and divisions engaged actively in research and development projects. Completely new models of machinery designed for more economical weaving of certain types of fabrics have now been released for production, providing sales volume which otherwise would not be available. Development work has also been directed to the improvement of existing models of weaving machinery.

New packaging machinery developments in the fields of wrapping meat, bakery products and automotive products, and in the fields of can case opening, positioning, packing and stacking were made available.

New dyestuffs have been added to the dyestuffs and chemical division's line.

A variety of new proprietary products of reinforced plastic adds importantly to the growth of this part of the Company's business.

Plant and Equipment

Nearly \$700,000 was spent for new production facilities, chiefly for machinery at the Worcester plant. This sum represents a reinvestment of depreciation reserves slightly in excess of the year's charge to operations.

Employee Relations

On June 30, 1957, our contract at the Worcester plant with the C.I.O. Steelworkers Union expired, and attempts to negotiate a new contract were not successful. A strike of ten weeks' duration involving in excess of 1000 production and maintenance employees ensued. The losses to your Corporation during this period were heavy. A new agreement dated September 9, 1957, running to July 1, 1959, with provision for wage reopening September 9, 1958, terminated this strike.

At all other locations employee relations were satisfactory.

Dividends

Consistent with a policy of giving the fullest consideration to the requirements for the profitable use of retained earnings as well as to the desirability of providing to the degree possible both regularity and liberality in dividends, three payments, each of 25 cents a share, were made. This total of 75 cents a share compares with \$1.25 a share paid in 1956. It is worthy of note that for more than 50 years cash dividends have been paid to common shareowners in every year except 1932.

Financial Condition

Our balance sheet shows a satisfactory financial condition comparable to that at the close of 1956. Working capital at December 31, 1957, was \$10,681,671 or \$23.91 a share compared with \$11,177,007 and \$24.87 a share a year earlier. The reduction reflects substantially the cost of diversification businesses and new plant facilities acquired. The present current ratio of 5.2 improves the ratio of 4.4 of a year ago.

Your Company purchased in the open market an additional 2450 shares of the Corporation's common stock. At the year end 24,997 shares were held in the treasury. The addition to treasury stock holdings had the effect of increasing the per share book value of stockholders' equity to \$42.88 from the \$42.72 at the end of 1956, although the total net equity of \$19,159,049 at December 31, 1957 was slightly below the \$19,188,941 reported for 1956.

Looking Ahead

In the light of general business conditions today, it is difficult to predict to what degree the business of your Company may be affected as the year progresses.

Orders on the books of our textile machinery plants are lower today than at any time in some years, and any major upturn in demand for new equipment, in view of the continued unhealthy condition of the textile industry, is not immediately foreseeable. Wear and tear of aging equipment still producing cloth in textile mills no doubt will result in a continuation of a good volume of repair part and changeover business during 1958. The same factor and new machinery developments continue to point to eventual release of deferred demand for new looms to replace facilities which have undergone multiple shift operation for many years. Reasonable earnings from our textile machinery operations will not be experienced until demand for new equipment has been considerably strengthened and the volume of our production has improved to more normal levels. This is wholly and only dependent, we believe, on a substantial improvement in the grossly inadequate profit margins under which our customers have labored for too long a period.

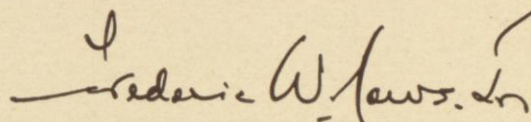
In the meantime, through the avenues of other machinery building and metalworking business on a contract basis, as well as ductile iron and other products of our foundry, we will continue to maintain to the fullest extent possible the profitable use of those properties at the Worcester plant not employed in textile and packaging machinery operations.

We look forward to satisfactory progress in the volume and profits of our subsidiaries. Our Packaging subsidiary, partially burdened during the past fiscal period with nonrecurring costs connected with integration of new units and organization building, will be mostly relieved of those expenses by the close of the first half of 1958 and can be expected to turn in a creditable performance on its various machinery lines. The Wrap-King Division, with its already well-established lines, expects to contribute markedly to that performance.

Our dyestuffs and chemicals division will continue to occupy its pre-eminent position in the industry and may be looked to for continuing acceptable performance, notwithstanding competitive pressures and the generally unsatisfactory condition of the industry.

Growth of satisfactory proportions is projected for our reinforced plastics subsidiary.

We believe that your Company's future operations will be increasingly strengthened by the continuing sound growth of the diversified activities first undertaken in 1954.



February 14, 1958

President

PEAT, MARWICK, MITCHELL & CO. ACCOUNTANTS AND AUDITORS

ACCOUNTANTS' REPORT

The Stockholders

Crompton & Knowles Corporation:

We have examined the consolidated balance sheet of Crompton & Knowles Corporation and subsidiaries as of December 31, 1957 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Crompton & Knowles Corporation and subsidiaries at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have examined and reported previously on the accounts of Crompton & Knowles Corporation and subsidiaries for each of the nine years ended December 31, 1956. In our opinion, the accompanying summary of consolidated financial data for the ten years ended December 31, 1957 presents fairly the information stated therein.

Peat, Marwick, Mitchell & Co.

Worcester, Massachusetts
January 31, 1958

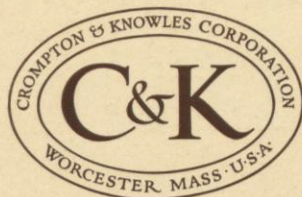
Crompton & Knowles Corporation AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

Year ended December 31, 1957
with comparative figures for 1956

	1957	1956
Gross operating profit, exclusive of depreciation	\$4,906,696	\$6,540,709
Selling, general and administrative expenses	3,090,022	3,058,794
Depreciation	646,054	626,898
Other (income) charges, net	(3,888)	19,392
	<u>3,732,188</u>	<u>3,705,084</u>
Earnings before income and state taxes	1,174,508	2,835,625
Income and state taxes:		
Federal and Canadian taxes on income	671,159	1,314,465
State taxes	164,588	239,005
	<u>835,747</u>	<u>1,553,470</u>
Net earnings for the year	338,761	1,282,155
Retained earnings at beginning of year	13,683,906	13,426,227
	<u>14,022,667</u>	<u>14,708,382</u>
Deduct:		
Dividends paid on common capital stock, \$.75 per share in 1957 and \$1.25 in 1956	336,303	563,476
Provision for pensions	—	461,000
	<u>336,303</u>	<u>1,024,476</u>
Retained earnings at end of year	<u>\$13,686,364</u>	<u>\$13,683,906</u>

See accompanying notes to financial statements



CROMPTON & KNOWLES CO CONSOLIDATED

DECEMBER
WITH COMPARATIVES

ASSETS

	1957	1956
Current Assets:		
Cash	\$1,762,982	\$1,997,874
Marketable securities, at cost or face value plus accrued interest (quoted market value 1957—\$832,900; 1956—\$1,339,960)	860,213	1,443,457
Notes and accounts receivable, less estimated uncollectible accounts	3,781,907	3,705,601
Inventories, at lower of cost or market	6,615,945	7,075,205
Prepaid expenses	215,183	203,822
Total Current Assets	13,236,230	14,425,959
Advance payments from customers, contra	33,615	47,995
Notes and accounts receivable, non-current	345,689	158,769
Investment in stocks of other corporations at cost or less (quoted market value 1957—\$59,800; 1956—\$133,887)	3,751	18,251
Property, plant and equipment, at appraised values as of July 1932 plus subsequent acquisitions at cost, less accumulated depreciation (1957—\$7,527,261; 1956—\$7,002,158)	8,089,867	8,035,061
Formulae, trade-marks, trade names, patents and patent rights, less amortization of patents (note 2)	260,267	1
Excess of cost of investments in subsidiaries over their net book values (note 3)	1,546,304	1,542,352
	<u>\$23,515,723</u>	<u>\$24,228,388</u>

NOTES TO FINANCIAL STATEMENTS

(1) The consolidated financial statements include the accounts of the Company and all subsidiaries. The accounts of the Canadian subsidiary are stated at their appropriate United States dollar equivalents on a basis consistent with the prior year. All inter-company transactions have been eliminated.

(2) Acquisition during 1957 of two going businesses for cash resulted in formulae, trade-marks, trade names, patents, and patent rights in an amount of \$260,266. Under the purchase terms of one of these acquisitions, the Company is obligated for

future payments annually of amounts measured by a stipulated percentage of net sales of the business acquired. Such future payments are limited to \$641,000 at December 31, 1957, after the inclusion in formulae, trade-marks, trade names, patents, and patent rights of the payment applicable to the current year.

(3) Under the terms of the agreement relating to the purchase of a former subsidiary and its affiliates, the Company is obligated to pay the former owners annually amounts equal to a stipulated percentage of net earnings of the businesses acquired. Such

CORPORATION AND SUBSIDIARIES

BALANCE SHEET

31, 1957

FIGURES FOR 1956

LIABILITIES

	1957	1956
Current Liabilities:		
Note payable, current installment	\$100,000	\$100,000
Notes payable to banks	56,964	65,414
Accounts payable	721,393	876,557
Accrued expenses	759,875	752,666
Federal, Canadian and state taxes on income	916,327	1,454,315
Total Current Liabilities	2,554,559	3,248,952
Advance payments from customers, contra	33,615	47,995
Pensions (less \$72,500 included in accrued expenses) (note 4)	468,500	342,500
Twenty-five year 3% note payable, due 1974, annual installments of \$100,000 required on account of principal, less current installment	1,300,000	1,400,000
Stockholders' Equity:		
Common capital stock, no par value		
Authorized 700,000 shares (note 5)		
Issued 471,768 shares	5,897,100	5,897,100
Retained earnings	13,686,364	13,683,906
	19,583,464	19,581,006
Less common capital stock held in treasury, at cost (1957—24,997 shares; 1956— 22,547 shares) (note 5)	424,415	392,065
Total Stockholders' Equity	19,159,049	19,188,941
	<u>\$23,515,723</u>	<u>\$24,228,388</u>

AL STATEMENTS

future payments are limited to \$392,000 at December 31, 1957, after the inclusion in excess cost of investments in subsidiaries over their net book values of the payment applicable to the current year.

(4) Noncontributory retirement plans for employees of the Company and a domestic subsidiary are presently in effect. At December 31, 1957, the liability for past service costs under such plans is estimated at \$2,640,000 of which \$1,075,000 (\$541,000 net after estimated Federal income taxes) is included as a liability in

the accompanying consolidated balance sheet. Total pension costs charged to earnings before Federal income and state taxes during the current year were \$755,000.

(5) Under the Company's restricted stock option plan, limited to 25,000 shares, options were granted in 1956 and 1957 to two officers and a key employee to purchase 15,000 shares of common capital stock at 95% of market value at date of granting. Such options are not exercisable until five years after date of granting.

Crompton & Knowles Corporation and Subsidiaries

SUMMARY OF CONSOLIDATED FINANCIAL DATA TEN YEARS ENDED DECEMBER 31, 1957

	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
Net sales based on index of 1946=100	150	181	148	109	107	151	247	258	239	211
Net earnings (after Federal and State taxes) \$	338,761	1,282,155	927,131	230,659	89,234	1,059,358	3,092,064	3,892,178	4,698,940	3,196,529
Net earnings (after Federal and State taxes) per share common capital stock . . . \$	.76	2.85	2.06	.49	.19	2.25	6.55	8.25	9.65	6.47
Dividends declared on common capital stock . . . \$	336,303	563,476	451,121	117,942	235,884	825,594	1,415,304	1,887,072	1,710,159	1,061,478
Dividends declared per share common capital stock . . . \$	.75	1.25	1.00	.25	.50	1.75	3.00	4.00	3.62	2.25
Additions to property, plant and equipment (excluding amounts acquired on ac- quisition of subsidiaries and going businesses) . . . \$	694,731	447,358	335,057	204,093	69,315	259,656	600,800	449,726	539,704	953,527
Depreciation \$	646,054	626,898	531,788	455,297	446,852	436,823	407,961	385,138	343,437	283,046
Working capital \$	10,681,671	11,177,007	10,356,250	10,386,189	12,688,560	12,433,169	12,228,825	11,100,930	9,678,947	7,286,846
Working capital per share common capital stock . . . \$	23.91	24.87	22.81	22.02	26.89	26.35	25.92	23.53	20.52	15.45
Ratio of working capital . . .	5.2	4.4	4.3	6.0	11.1	5.9	3.1	2.6	3.0	2.7
Common stockholders' equity \$	19,159,049	19,188,941	19,022,643	18,847,317	18,734,601	18,636,066	18,187,513	16,553,806	14,618,900	11,781,694
Stockholders' equity per share common capital stock . . . \$	42.88	42.72	41.89	39.95	39.71	39.50	38.55	35.09	30.99	24.97

Amounts per share are stated after appropriate adjustment for the number of shares held in Treasury.



380" Cotton Dryer Felt Loom

TEXTILE MACHINERY

Crompton & Knowles is the largest builder in the world of automatic box looms and looms for weaving special fabrics. In addition to our domestic customers, we export to 53 countries around the globe. Our factory in Pawtucket, R. I., specializes in all types of Jacquards.

DYES AND CHEMICALS

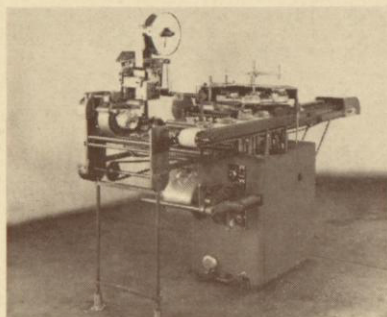
Our Althouse Chemical Company Division is a manufacturer of complete lines of dyestuffs, chiefly for rayon, cotton and nylon, and certain auxiliaries for the textile industry. It specializes in products producing high wash and light fastness

and sells in the United States and Canada through direct representation.

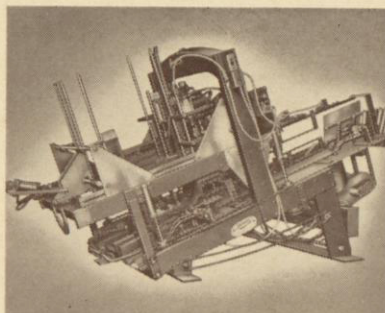
Relative to its size we have one of the most extensive research and customer service departments of any American dye company.



Organic Research Laboratory



Wrap-King Multi-Form Wrapping Machine



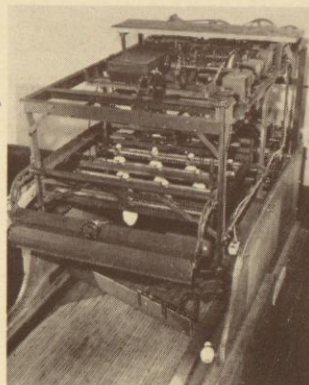
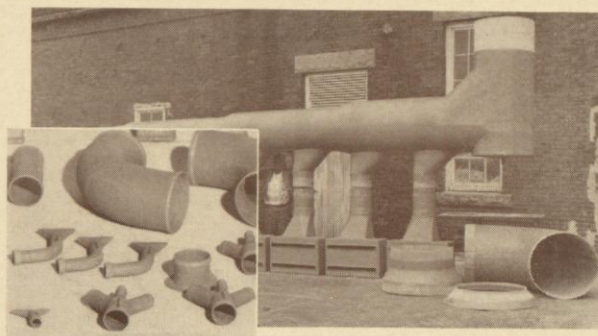
Russell Case Opener and Positioner

PACKAGING MACHINERY

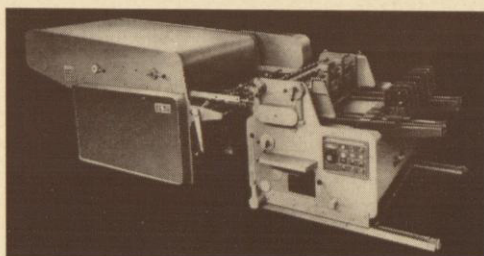
The Wrap-King Division of Crompton & Knowles Packaging Corporation manufactures automatic high-speed wrapping machines for packaging food, meat, bakery, confectionery, pharmaceutical and industrial products. Russell Division's high-speed can packing and case handling machines are used by can manufacturers and such industries as the brewery, food, household product, oil and others. Klear Plastic machines produce rigid plastic packaging for the food and other industries.

REINFORCED PLASTICS

Carl N. Beetle Plastics Corporation manufactures fiber-glass reinforced products ranging in size from small items weighing a few ounces to large structures weighing several tons and engineered to specifications for the nation's largest manufacturers and the Department of Defense. Principal products are corrosion resistant equipment, electronic equipment components and Naval Ordnance items.



Sherman Pinsetters



S & S Corrugated Paper Machines

CONTRACT MANUFACTURING

Special machines of many types are built at our Worcester factory. Our foundry is capable of pouring grey and ductile iron castings up to one thousand pounds, and our machine shops are ideally equipped for all general manufacturing requirements.

DIRECTORS

EDWARD L. CLIFFORD
President
Worcester County Trust Company, Worcester

CARL S. FORSYTHE
Attorney
Forsythe, McGovern & Fetzer, New York City

RUFUS S. FROST
Vice-president

FREDERIC W. HOWE, JR.
President

JOHN C. IRVIN
Manager of Charlotte, N. C., Office

WILLIAM D. IRELAND
President
Second Bank—State Street Trust Co., Boston

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JOSEPH F. MOLLOY
Vice-president

ALBERT PALMER
Vice-president

OSCAR V. PAYNE
Vice-president

WILLIAM J. SPEERS, JR.
Attorney
Warner, Stackpole, Stetson & Bradlee, Boston

ROBERT W. STODDARD
President, Wyman-Gordon Co., Worcester

OFFICERS

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President and General Manager

RUFUS S. FROST
Vice-president, Treasurer, Clerk

ALBERT PALMER
Vice-president, Engineering

OSCAR V. PAYNE
Vice-president, Manufacturing

JOSEPH F. MOLLOY
Vice-president, Sales

JAMES BARRINGER
Assistant Treasurer and Comptroller

Transfer Agent and Registrar
WORCESTER COUNTY TRUST CO.

Auditors
PEAT, MARWICK, MITCHELL & CO.

CROMPTON & KNOWLES CORPORATION

WORCESTER, MASSACHUSETTS, U. S. A.

Althouse Chemical Company Division, Reading, Pa.

Crompton & Knowles Jacquard & Supply Co., Pawtucket, R.I.

Crompton & Knowles of Canada Limited, Montreal, P. Q.

Carl N. Beetle Plastics Corporation, Fall River, Mass.

Crompton & Knowles Packaging Corporation, Holyoke, Mass.

Wrap-King Division, Holyoke, Mass.

Russell Division, Plant City, Fla.

TEXTILE MACHINERY SALES OFFICES

Worcester, Mass. Pawtucket, R. I. Allentown, Pa. Philadelphia, Pa. Charlotte, N. C.